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WESTERN EUROPE – CANADA – INTERNATIONAL ORGANIZATIONS

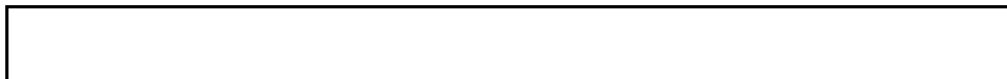


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EC Aeronautical Policy

The EC Council, reflecting strong concern over the downturn of the European aircraft industry, recently approved a long-awaited draft resolution on aviation policy. The resolution falls far short of the Commission's earlier recommendations for a more binding common policy--which included provisions highly objectionable to the US.

The resolution, which is the product of almost three years' debate, is only the first step toward a common EC policy in this industrial sector. The members agree to promote consultation and an exchange of information, especially regarding new civil aircraft programs and propulsion systems, in order to coordinate national aircraft policies and facilitate joint programs and multi-national mergers. Wherever possible, national aid measures which favor projects involving international cooperation will be harmonized. The Nine also intend to accelerate adoption of community measures to provide a legal framework for multi-national European cooperative ventures.

The Council action should be seen in the context of the continuing decline in the European aircraft industry's already small share of the European market as a result of the increased reliance on US-built planes. European aircraft producers have been lobbying heavily for policies which would improve their competitive position vis-a-vis the US. The US Mission to the EC comments, however, that the EC action will not threaten US commercial interests in the immediate future.

The Commission has been asked to draw up a full report on the state of the aircraft industry which is to be used for a further Council review

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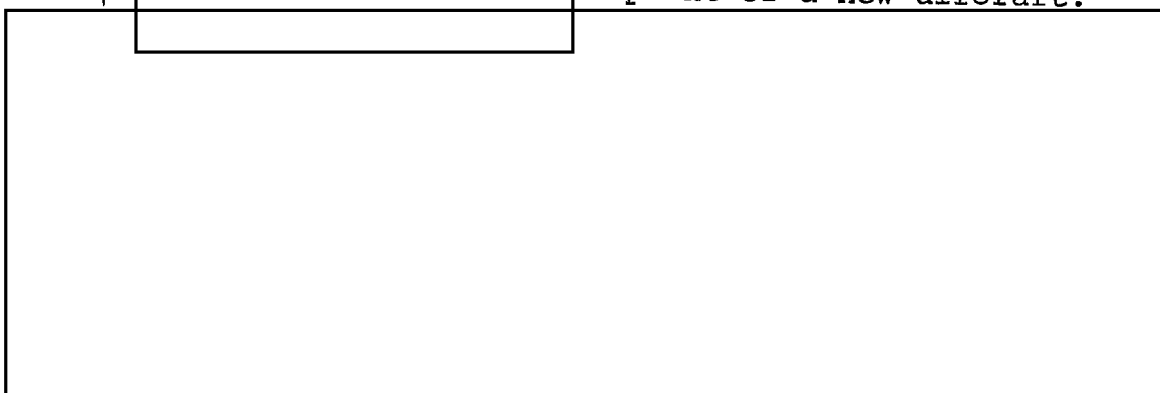
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later this year.

2 | In a related development, six European aircraft manufacturers and three European airlines agreed last September to carry out a joint study looking toward the development of a new aircraft.



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Portuguese Cabinet Debates Labor Law

The moderate Popular Democratic Party has reportedly threatened to withdraw from the provisional government's three-party coalition if a Communist-supported draft labor law, providing for a single labor confederation, is passed.

The Popular Democrats, together with the Socialists, want a law that provides for the formation of independent labor organizations. The current draft was prepared by the former minister of labor, a member of the Portuguese Communist Party, and represents an attempt by the Communists to institutionalize the Intersindical, an umbrella labor organization, established by the previous regime and now controlled by the Communists. Such a development would ensure Communist control over existing labor organizations as well as any that might be formed in the future.

The bill was presented to the cabinet early this week, following approval by the Superior Council of the Armed Forces. Although the Socialists argued strongly against the bill, they did not commit themselves to quit the government along with the Popular Democrats.

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The debate will resume on January 17 when a new version of the bill will be submitted to the cabinet.

the latest version further strengthens the position of the central labor organization inherited from the previous regime.

The Communists, meanwhile, are scheduling labor demonstrations on January 14 to enlist popular support for their position. The last time labor was mobilized to bring pressure on a political issue it led to President Spínola's resignation.

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Election Results Cloud Danish Politics

With parliament scheduled to re-convene in less than two weeks, Danish Prime Minister Hartling is looking for possible coalition partners following the inconclusive outcome of Thursday's national election.

Social Democratic leader Jergensen called for Hartling's resignation as soon as the election results were announced. Jergensen maintains that Hartling will not be able to push his economic "crisis plan" through parliament without a majority government.

The Social Democrats, who command the largest voting block in parliament, picked up 7 new seats in the election for a total of 53 in the 179-seat parliament. Hartling's Moderate Liberals nearly doubled their representation, capturing 42 seats.

Hartling has indicated that he will not step aside for Jergensen, and will probably try to win backing for his economic plan from the non-socialist parties, his traditional base of support. Backing from the Social Democrats is unlikely. The Progressives, the third largest party behind the Social Democrats and Hartling's Moderate Liberals, have opposed Hartling in the past.

An additional complicating factor is the genuine mutual dislike that exists between Hartling and Jergensen. With both parties viewing the election as a mandate for their conflicting programs, moreover, neither is disposed to compromise. If Hartling cannot strike a coalition bargain with the other non-socialist parties he is likely to continue in office as a minority Prime Minister.

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West European Reaction to Kissinger's Business
Week Interview

The governments of the major West European states, wishing to offend neither the United States nor the Arab oil producers, have been cautious in commenting on Secretary Kissinger's remarks in his Business Week interview about the possible use of force should the Arabs attempt to "strangle" the industrialized world. In West Germany and France, government figures have tried to disassociate themselves from the Secretary's statements. No official British or Italian views have been heard. Leaders of two of the smaller states--Austria and Switzerland--have been somewhat bolder in speaking out against Kissinger's remarks.

Some West European newspapers that have commented on the Kissinger interview have tended to be critical--others have not. The consensus of the press is that the Secretary's remarks were intended to warn the oil producers that there are limits beyond which they cannot go and to point out to the West Europeans the need for greater unity on the part of the oil consumers. Several editorial writers have noted that Kissinger's comments about West European "insecurity" and "impotence," while unpleasant, are nonetheless valid.

The West Germans are particularly sensitive to any suggestion of the possible use of force in the Middle East because US bases on German soil might play a part in such an operation. During the last Middle East war, Bonn felt that its "balanced" policy toward the Arabs and Israelis had been placed in jeopardy by the "public" way in which US equipment was shipped to Israel from Germany.

In an interview that appeared in Der Spiegel, Chancellor Schmidt refused to speculate about West German policy should Washington again request that Bonn make airports and naval ports available for

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shipping supplies to the Middle East. After noting that Bonn is not currently under such pressure from the US and "would not agree to that anyway," he went on to say that since he was not the chancellor of a world power, he could not "philosophize" on such a question because to do so would be "mortally dangerous." Earlier in the interview, Schmidt had said that it was a new experience for Bonn to face the possibility of becoming involved in conflicts against its will. Until recently, he added, West Germany had been the creator of conflicts.

Schmidt left a more direct response to Kissinger's remarks to a government spokesman, who said that Bonn seeks cooperation, not confrontation, with the oil producing states. The spokesman continued: "We do not have the use of force in mind, and do not share such thoughts." In addition, Hans Juergen Wischnewski, a state minister in the Foreign Office, said that he did not consider the occupation of oil-producing countries by Western powers to be a realistic possibility. General Secretary Bangemann of the FDP agreed, adding that to return to the "gunboat policy" of the nineteenth century would be a "fatal relapse." In his opinion, the Arabs are more likely to cooperate with the West if they understand clearly that Western countries are not contemplating the use of force as a method to resolve conflicts.

Die Welt wrote that Kissinger is engaging in "shock therapy" designed more to "shake up" the Europeans than to threaten the oil powers. The paper felt the Secretary's criticism of the West Europeans to be well founded but objected to the "lecturing tone." The Frankfurter Allgemeine was harsher in its criticism, saying that the idea of using military force "should have been discarded as nonsense." A "petrol crusade" would be "the last stupidity of the West."

Schmidt's statements about West Germany's position on US resupply efforts in the event of another Middle East war has touched off a spate of articles in the German press. In general, they hold that the Chancellor was right in refusing to speculate about the FRG position. Several writers seem to assume,

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however, that Bonn would not prevent the US from using its West German stockpiles to resupply the Israelis should Washington decide to do so.

In Italy, Carlo Francanzani, secretary of the foreign affairs committee in the Chamber of Deputies and a left-wing member of the dominant Christian Democratic Party, is trying to force the Moro government to take a position on Secretary Kissinger's comments. Francanzani called for a "drastic condemnation" of the remarks, adding that "Europe and Italy must explicitly disassociate their own positions from that of the US." He has requested that Foreign Minister Rumor meet with the foreign affairs committee to discuss the issue.

Italy's two most influential newspapers, Corriere della Sera and La Stampa, have presented balanced appraisals of the Kissinger remarks which stop short of explicit criticism. Corriere della Sera, for example, wrote that all Kissinger has done is to say out loud what many in the US and Western Europe have been whispering for months. The Christian Democratic organ Il Popolo, however, thought that the Kissinger interview showed that the Secretary has a "grudge against Europe." The paper nevertheless endorsed what it saw as his main point: that oil consumers should stand together in negotiations with producers. The leftist Il Messaggero wondered whether this was the eve of a "new Trojan War or Crusade." The paper quoted President Kennedy to the effect that the Middle East is a "monument to Western inability to understand problems." On the other end of the spectrum, the conservative Il Resto del Carlino of Bologna supported Kissinger's statements on the possible use of force, stressing the US role in preserving world freedom and peace and praising US determination to prevent the West from being strangled by oil blackmail.

In France, Foreign Minister Sauvagnargues told the National Assembly Foreign Affairs Committee that French policy runs counter to Kissinger's remarks. Communist Party Secretary General Marchais attacked Kissinger's statements and pointed to the danger of French involvement in "military ventures." He was

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sharply critical of a military exercise involving the US Sixth Fleet scheduled to take place in southern France next week. The French television news also carried a report on the exercise, tying it to Kissinger's statements.

The Communist newspaper L'Humanité thought that Kissinger's language smacked of "colonialism and gun-boat diplomacy." The paper also saw the Secretary's statements as a "brutal call to order" to the West Europeans. Le Monde thought the interview heralded the return of the "hard Kissinger," who clearly had France in mind in his display of "marked resentment" toward the West Europeans. The paper felt that while his remarks were well-founded, they were "hasty" and missed the point. When Western security was threatened primarily by the military might of the Warsaw Pact, there was indeed a convergence of interests between the US and the countries of Western Europe. Now that the threat is an economic one deriving from the Arab oil producers, the US, a major oil producer itself, is in far less peril than the West Europeans.

In Britain, the Kissinger interview has provoked no response from government spokesmen. The press has given little play to the story. Some straight news reports have appeared, but very little editorial comment has been seen so far. The Daily Mail ran a picture of US Marines training in a desert with a caption referring to Kissinger's remarks.

Government leaders in two of the smaller West European states have been more outspoken in criticising Kissinger's remarks. Swiss President and Foreign Minister Graber said that he thought it "inappropriate" to even consider the use of force since a dialogue between producers and consumers "on the basis of confidence and patience" was the only way to deal with the problem. Austrian Chancellor Kreisky reportedly said that he had a "low opinion" of the idea of military intervention against the Arab states and wondered if Kissinger had actually made the statements attributed to him. Kreisky thought oil consumers should pursue a joint strategy with the producers rather than any sort of strategy against them.

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